

**FREQUENTLY ASKED QUESTIONS RELATED TO AN INTERNAL
REVENUE SERVICE SALE**

November 29, 2011

1.03 Acre Tract

Unimproved Building Lot

702 Carolina Drive

Richmond, KY 40475

QUESTION: How is the sale conducted?

ANSWER: The sale is an open, public auction at which the Internal Revenue Service auctioneer (the Property Appraisal and Liquidation Specialist) will open the bid price at or above the minimum bid of \$12,000.00. Bidding will proceed generally in even increments as determined by the auctioneer until the property is awarded to the person bidding the highest amount. There may be bids that were mailed to the Internal Revenue Service prior to the sale but for inclusion in the specific sale.

QUESTION: If I am the successful bidder, what happens then?

ANSWER: You must be prepared to pay \$2,500.00 down on November 29, 2011 and the balance of your bid on or before December 28, 2011. Upon receipt of the full amount of the agreed bid price, the Internal Revenue Service will provide you a Form 2435, "Certificate of Sale of Seized Property". This certificate is your evidence of the sale of the property by the Internal Revenue Service to you, the bidder. If the property is real estate and the county or borough permits the recordation of this document, it is recommended that you do so. If the property is other than real estate, the Form 2435, "Certificate of Sale" is your evidence of ownership.

QUESTION: Is the property then owned by me to do what I wish to do with it?

ANSWER: If the property is real estate, the taxpayer, any lien holder of interest or any other person with a legal interest in the property has a right to redeem, or buy back the property, within 180 days after the date of sale by the Internal Revenue Service. If the property is redeemed, the person redeeming the property must pay you the amount of your bid (what you paid) for the property in addition to interest on that amount at a rate of 20% per year prorated for the actual amount of days from the sale of the property to the date of payment for redeeming the property. If the property is not redeemed within the 180-day

redemption period, a Director's Deed will be issued to you for the sale of real estate. This deed is a Quit Claim Deed. If the property is other than real estate, the property is yours and you may be required to transfer title for vehicles, licenses, etc. depending upon state and/or local laws. Typically, personal/business property is yours to do as you wish without further action. However, if there are encumbrances that are superior to the Internal Revenue Service lien, you may need to resolve those with the secured party. The Internal Revenue Service provides information related to those encumbrances. However, the Internal Revenue Service does not guaranty or warranty the validity of the title, quality, quantity, weight, size, or condition of any property, or its fitness for any use or purpose. The property is sold "as is" and "where is" without recourse against the United States.

QUESTION: Then during the 180-day redemption period, may I collect rent if there are tenants? May I improve the property? May I evict any tenants and move onto the property myself? Is there anything I can do with the property?

ANSWER: The taxpayer and others of interest have a right to redeem the property and any action is dependent upon state law. Therefore, you should contact an attorney or legal representative for this type of advice. The Internal Revenue Service will not advise as to actions that you may take against or upon the property.

QUESTION; What happens after the 180-day redemption period expires?

ANSWER: After the 180 day redemption period has expired, the Internal Revenue Service will provide you a Director's Deed in the form of a Quit Claim Deed issued by the Area Director of the Internal Revenue Service. You must surrender the Form 2435, "Certificate of Sale of Seized Property" given to you upon your full payment of the bid price in order to receive the deed. At this time, the taxpayer and others of interest do not have any redemption rights. The deed discharges the Federal Tax Lien from the property and places the title in your name giving you possession of the property.

QUESTION: Do I need to make payments to the mortgage holder, county tax collector, etc. during the 180-day redemption period?

ANSWER: Once again, any payment of expenses related to the property may or may not be recoverable if the property is redeemed. This is dependent upon the state law in which the property is located. The Internal Revenue Service does

not advise related to this issue. You may wish to contact the creditor and make some form of arrangement such as posting a bond or escrow account for the amount due that would prevent action against the property and could be refunded back to you if the property is redeemed.

QUESTION: Will the encumbrances against the property still remain after the Internal Revenue Service sale?

ANSWER: Any encumbrance that is recorded prior to the Internal Revenue Service Federal Tax Lien remains upon the property and must be dealt with by the purchaser at an Internal Revenue Service sale. The Internal Revenue Service does not pay these expenses. Even when a property tax becomes due and payable, the Internal Revenue Service generally does not pay this obligation. The encumbrances that are recorded after the Internal Revenue Service Federal Tax Lien, are discharged from the property upon the issuance of the deed to the property 180 days after the auction.

QUESTION: Will a title insurance company insure the property after an Internal Revenue Service sale?

ANSWER: The Internal Revenue Service cannot answer that question. You must inquire of the title insurance company for that information. Experience from previous sales reflects that some title insurance companies will provide title insurance for property sold by the Internal Revenue Service. Others will not provide title insurance without a Quiet Title action in a court. One title insurance company in one state may insure a property and the same company in another state may not. It is all dependent upon the policy of the title insurance company.